

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Financial Statements
June 30, 2012 and 2011

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

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June 30, 2012 and 2011

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Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Statements of Financial Position
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current assets		
Cash	\$ 944,308	\$ 820,349
Grant receivables	252,670	448,860
Prepaid expenses and other current assets	50,732	26,903
Total current assets	<u>1,247,710</u>	<u>1,296,112</u>
Property and equipment		
Furniture, fixtures and equipment	88,092	80,646
Less: accumulated depreciation	(34,375)	(19,148)
Net property and equipment	<u>53,717</u>	<u>61,498</u>
Total assets	<u>\$ 1,301,427</u>	<u>\$ 1,357,610</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 126,894	\$ 120,277
Accrued expenses	257,933	231,252
Total current liabilities	<u>384,827</u>	<u>351,529</u>
Long-term liabilities	-	-
Total liabilities	<u>384,827</u>	<u>351,529</u>
Net assets		
Unrestricted	916,600	1,006,081
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	<u>916,600</u>	<u>1,006,081</u>
Total liabilities and net assets	<u>\$ 1,301,427</u>	<u>\$ 1,357,610</u>

The accompanying notes are an integral part of these financial statements.

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Statement of Activities
for the Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
State public school funding and grants	\$ 4,412,653	\$ -	\$ -	\$ 4,412,653
Federal grants	753,800	-	-	753,800
Federal school lunch program	225,566	-	-	225,566
Other income	14,251	-	-	14,251
Total support and revenue	<u>5,406,270</u>	<u>-</u>	<u>-</u>	<u>5,406,270</u>
Expenses				
Program services				
Regular program expenditures	2,194,681	-	-	2,194,681
Special education programs	405,558	-	-	405,558
Other instructional programs	22,527	-	-	22,527
Pupil support services	164,330	-	-	164,330
Instructional staff services	204,943	-	-	204,943
School administration	901,343	-	-	901,343
Operation and maintenance of plant services	545,594	-	-	545,594
Student transportation services	389,554	-	-	389,554
Food service operations	336,868	-	-	336,868
Management and general				
Business services	306,605	-	-	306,605
General administration	21,619	-	-	21,619
Central services	2,129	-	-	2,129
Total expenses	<u>5,495,751</u>	<u>-</u>	<u>-</u>	<u>5,495,751</u>
Change in net assets	(89,481)	-	-	(89,481)
Net assets, beginning of year	<u>1,006,081</u>	<u>-</u>	<u>-</u>	<u>1,006,081</u>
Net assets, end of year	<u>\$ 916,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 916,600</u>

The accompanying notes are an integral part of these financial statements.

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Statement of Activities
for the Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support and revenue				
State public school funding	\$ 3,768,581	\$ -	\$ -	\$ 3,768,581
Federal grants	1,323,047	-	-	1,323,047
Federal school lunch program	222,081	-	-	222,081
Other income	27,869	-	-	27,869
Total support and revenue	<u>5,341,578</u>	<u>-</u>	<u>-</u>	<u>5,341,578</u>
Expenses				
Program services				
Regular program expenditures	2,368,144	-	-	2,368,144
Special education programs	406,805	-	-	406,805
Other instructional programs	26,888	-	-	26,888
Pupil support services	143,396	-	-	143,396
Instructional staff services	159,814	-	-	159,814
School administration	876,236	-	-	876,236
Operation and maintenance of plant services	580,923	-	-	580,923
Student transportation services	358,994	-	-	358,994
Food service operations	313,202	-	-	313,202
Management and general				
Business services	313,279	-	-	313,279
General administration	25,863	-	-	25,863
Central services	4,104	-	-	4,104
Total expenses	<u>5,577,648</u>	<u>-</u>	<u>-</u>	<u>5,577,648</u>
Change in net assets	(236,070)	-	-	(236,070)
Net assets, beginning of year	<u>1,242,151</u>	<u>-</u>	<u>-</u>	<u>1,242,151</u>
Net assets, end of year	<u>\$ 1,006,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,006,081</u>

The accompanying notes are an integral part of these financial statements.

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Statements of Cash Flows
for the Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ (89,481)	\$ (236,070)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	15,227	14,635
(Increase) decrease in		
Grants receivable	196,190	125,465
Prepaid expenses and other current assets	(23,829)	(26,903)
Increase (decrease) in		
Accounts payable	6,617	(42,251)
Accrued expenses	26,681	(137,694)
Net cash provided by (used in) operating activities	<u>131,405</u>	<u>(302,818)</u>
Cash flows from investing activities		
Purchase of property and equipment	(7,446)	(21,519)
Net cash used in investing activities	<u>(7,446)</u>	<u>(21,519)</u>
Net increase (decrease) in cash and cash equivalents	123,959	(324,337)
Cash - beginning of year	820,349	1,144,686
Cash - end of year	<u>\$ 944,308</u>	<u>\$ 820,349</u>

The accompanying notes are an integral part of these financial statements.

Shreveport Charter Schools, Inc.

Shreveport, Louisiana

Notes to Financial Statements
June 30, 2012 and 2011

Note 1 Nature of Organization and Summary of Significant Accounting Policies

Shreveport Charter School, Inc., charter holder for Linwood Public Charter School, a nonprofit organization, was incorporated on January 27, 2009. Effective December 22, 2011, Shreveport Charter School, Inc. changed its corporate name to Shreveport Charter Schools, Inc. (the School). The School is an educational institution servicing grades 6-8 for residents in Caddo Parish, Louisiana.

The Louisiana Board of Elementary and Secondary Education (BESE) approved the granting of a charter to the School effective July 1, 2009, for an initial term of three years. BESE extended the charter for an additional two year period. BESE also has the option to terminate or revoke the charter at any time if the School fails to comply with certain terms of the agreement. The charter allows for a type 5 charter to be operated in the Louisiana Recovery School District, as defined in the LA R.S. 17:3992 and 3998. Upon completion of the School's fifth year of operation, the charter contract may be renewed at the discretion of BESE pursuant to the Evaluation Framework and applicable provisions of Title 17, Chapter 42 of the Louisiana Revised Statutes.

The School entered into an education provider agreement with New Orleans Education Management, LLC, a Delaware limited liability company authorized to do business in the State of Louisiana, to provide management services for a period of five years, subject to renewal of the charter.

A summary of the School's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Financial Statement Presentation

The School has adopted the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958 "Not-for-Profit Entities." Under FASB ASC 958, the School is required to report information regarding its financial position and activities based on the absence or existence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein, may be classified and reported as follows, as financial circumstances require:

Unrestricted net assets - These are net assets that are not subject to donor-imposed stipulations. Some unrestricted net assets may be designated by the governing board of the School for specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the School and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, donors permit all or part of the income earned on these assets to be used for general or specific purposes.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported on the financial statements. The financial statements of the School are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. All significant receivables, payables and other liabilities are reflected.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit balances and represent cash available for general operating purposes. The School classifies all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The School did not have any cash equivalents at June 30, 2012 or 2011.

Receivables

The receivables are stated at the amount management expects to collect from outstanding balances. The financial statements do not include an estimate for allowance for doubtful accounts, as management believes all remaining receivables are fully collectible.

The School received various state and federal grants to fund programs and operations. The grants are on a reimbursement basis and grants receivable at the year-end are stated at unpaid balances for expenditures incurred during the year.

Contribution and Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenues from federal and state grants are recorded when the School has a right to reimbursement under the grant, generally corresponding to the incurring of grant related costs by the School, or when earned under the terms of the grants. An accrual is made when eligible expenses are incurred.

The School's primary source of funding is through the Minimum Foundation Program (MFP) funded by the State Public School Fund.

Property and Equipment

All acquisitions of property and equipment and betterments that naturally add to the value of related assets or materially extend the useful lives of assets are capitalized at cost. Contributed property and equipment is recorded at fair value at the date of donation. Normal building maintenance and minor equipment purchases are included as expenses of the School. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (three to seven years). Assets purchased with public funds will revert to the Louisiana Board of Elementary and Secondary Education at the time this agreement is terminated. See Note 4.

Income Taxes

The School is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is also exempt from Louisiana state income taxes.

The School has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* Topic of the FASB ASC, which clarifies the accounting and recognition for income tax positions taken or expected to be taken in the School's income tax returns. Management evaluated the School's tax positions and concluded that they had taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance. The School is not subject to income tax examinations by the U.S. federal, state, or local tax authorities for any tax years prior to 2009.

Advertising Costs

Advertising costs are charged to expense when incurred. Advertising expense totaled \$11,137 and \$34,360 for the years ended June 30, 2012 and 2011, respectively.

Compensated Absences

Salaried non-contracted employees are provided between 10 - 15 days of paid time off, and may carry over any unused time off into the next year at the rate of one-half of the employee's annualized accrual rate.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 Concentrations and Credit Risk

The School received 82% and 71%, respectively, of its total revenues from the State of Louisiana, subject to its charter school contract with the State.

Demand deposit balances, as reflected in the bank's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, and additionally under the Dodd-Frank provision. At June 30, 2012 and 2011, the School's deposits were fully insured. Effective December 31, 2012, the Dodd-Frank provision expired. The School could have uninsured deposits at that date and subsequent to that date.

Note 3 Grant Receivables

At June 30, 2012 and 2011, grant receivables totaled \$252,670 and \$448,860, respectively, which were for federal and state grants primarily passed through the Louisiana Department of Education. The stated balances are considered fully collectible.

Note 4 Property and Equipment

All assets were acquired with Louisiana Department of Education funds and are owned by the School while used in the purpose for which they were purchased. The Louisiana Department of Education, however, has a reversionary interest in these assets. Should the charter not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency. Depreciation expense totaled \$15,227 and \$14,635, respectively, for the years ended June 30, 2012 and 2011.

Effective July 1, 2009, the School entered into an agreement with the BESE, which allows the School to use the facilities and its contents located at 401 West 70th Street, Shreveport, Louisiana 71106. The agreement expired on June 30, 2012, and BESE granted an extension for an additional two years.

Alterations made by the School shall not diminish the value of the property at the time the alterations are approved. Any physical additions or improvements to the property will become property of the BESE. BESE may require, at the expense of the School, to remove these physical additions or improvements. Non-capital assets acquired by the School with non-public funds will remain the property of the School. Assets purchased with public funds obtained from public sources will automatically revert to BESE at the time this agreement is terminated. The School must maintain records of any assets acquired with private funds that will remain the property of the School.

The School is responsible for all necessary maintenance to ensure that the facilities comply with all state and local health and safety standards and other applicable laws, regulations and rules.

Use of the property is not recorded as an in-kind contribution from or related rent expense to BESE. The value of the use of land and the building is not readily determinable. The agreement is classified as an exchange transaction because both parties receive significant value from this arrangement. Accordingly, the present value of the benefit to be received in the future years has not been recorded.

Note 5 Minimum Foundation Program (MFP)

The State of Louisiana provides funding which is determined on an annual basis based on the number of pupils enrolled in the School as of October 1st. This state-funded per pupil allocation is based on the most recently approved minimum foundation program formula resolution. For the years ended June 30, 2012 and 2011, the School recognized revenue of \$2,476,530 and \$2,104,078, respectively.

The Caddo Parish School Board (CPSB) provides funding to the State of Louisiana collected from local agencies, which pass through to the School as Local MFP. Revenues received by CPSB from sales tax revenues, ad valorem taxes, and other sources are allocated to each school based on its enrollment as of June 30. For the years ended June 30, 2012 and 2011, the School recognized revenue of \$1,890,554 and \$1,664,503, respectively.

Note 6 Risk Management

The School is exposed to various risks of loss from torts; thefts of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the period ended June 30, 2012.

Note 7 Subsequent Events

Subsequent to June 30, 2012, the Louisiana Department of Education recommended the extension of the School's charter for an additional two year period through June 30, 2014.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 14, 2013, and determined there were no other events that required disclosure.

Supplemental Information

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Education</u>			
Passed through Louisiana Department of Education			
Title I Grants to Local Educational Agencies - Part A	84.010	S010A110018	\$ 516,568
Title I Grants to Local Educational Agencies - School Improvement	84.010	S010A110018	21,917
Improving Teacher Quality State Grants	84.367	S367A110017	46,789
Special Education - Grants to States	84.027	H027A110033	145,738
Education Jobs Fund	84.410	S410A100019	22,788
<u>United States Department of Agriculture</u>			
Passed through Louisiana Department of Education			
National School Lunch Program	10.555	N/A	<u>225,566</u>
			<u>\$ 979,366</u>

See Independent Auditor's Report.

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Notes to the Schedule of Expenditures of Federal Awards
for the Year Ended June 30, 2012

Note 1 - General

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Shreveport Charter Schools, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

See Independent Auditor's Report.

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

**Schedule of Board of Trustees
for the Year Ended June 30, 2012**

<u>Board Member</u>	<u>Compensation</u>
Gard Wayt 3772 Youree Drive Shreveport, LA 71105 318-207-1292	\$-0-
David Barr 5702 Marina Bay Drive Shreveport, LA 71119 318-820-4254	\$-0-
Travis Morehart 1215 Hawn Avenue Shreveport, LA 71107 318-423-4777	\$-0-
Keidra Phillips-Burrell 201 Eagle Bend Way Shreveport, LA 71115 504-319-3425	\$-0-
Willie Phillips 3712 Lakeshore Drive Shreveport, LA 71109 318-636-4100	\$-0-
Willie Caldwell Route 1, Box 231-D Coushatta, LA 71019 318-423-3673	\$-0-

Independent Auditor's Report

To the Board of Trustees
Shreveport Charter Schools, Inc.
Shreveport, Louisiana

We have audited the accompanying statement of financial position of Shreveport Charter Schools, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Shreveport Charter Schools, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport Charter Schools, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements of Shreveport Charter School, Inc. as of June 30, 2011, were audited by other auditors whose report dated December 16, 2011, expressed an unmodified opinion on those statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2013, on our consideration of Shreveport Charter Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Performance and Statistical Data on pages 24 to 32, are not a required part of the basic financial statements, but are supplementary information required by Louisiana State Law. We have applied certain limited procedures, which are described in the Independent Accountant's Report on Applying Agreed-Upon Procedures. However, we did not audit this information and, accordingly express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of Board of Trustees is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CARR, RIGGS & INGRAM, LLC

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
January 14, 2013

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Shreveport Charter Schools, Inc.
Shreveport, Louisiana

We have audited the financial statements of Shreveport Charter Schools, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 14, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Shreveport Charter Schools, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Shreveport Charter Schools, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Shreveport Charter Schools, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shreveport Charter Schools, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, others within the School, federal awarding agencies, Louisiana Legislative Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

CARR, RIGGS & INGRAM, LLC

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
January 14, 2013

**Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major
Program and on Internal Control Over Compliance in
Accordance with OMB Circular A-133**

To the Board of Trustees
Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Compliance

We have audited Shreveport Charter Schools, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Shreveport Charter Schools, Inc.'s major federal programs for the year ended June 30, 2012. Shreveport Charter Schools, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and responses. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Shreveport Charter Schools, Inc.'s management. Our responsibility is to express an opinion on Shreveport Charter Schools, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Shreveport Charter Schools, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Shreveport Charter Schools, Inc.'s compliance with those requirements.

In our opinion, Shreveport Charter Schools, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Shreveport Charter Schools, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Shreveport Charter Schools, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Shreveport Charter Schools, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency,

or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of Shreveport Charter Schools, Inc.'s major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on Shreveport Charter Schools, Inc.'s compliance but not to provide an opinion on the effectiveness of Shreveport Charter Schools, Inc.'s internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Shreveport Charter Schools, Inc.'s compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

CARR, RIGGS & INGRAM, LLC

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
January 14, 2013

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule of Findings and Responses
June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Compliance and internal control over financial reporting:

Significant deficiency(ies) identified? No

Material weakness(es) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Significant deficiency(ies) identified? No

Material weakness(es) identified? No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in
accordance with section 510(a) of OMB Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Program or Cluster</u>
--------------------	-----------------------------------

84.010	Title I Grants to Local Educational Agencies
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Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

Section II – Financial Statement Findings Reported in Accordance with *Governmental Auditing Standards*

Current Year Findings and Responses

None

Section III – Federal Award Findings and Questioned Costs

None

Prior Year Findings

None

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Trustees
Shreveport Charter Schools, Inc.
Shreveport, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of Shreveport Charter Schools, Inc. and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the performance and statistical data accompanying the annual financial statements of Shreveport Charter Schools, Inc. and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education. Management of Shreveport Charter Schools, Inc. is responsible for its performance and statistical data. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Governmental Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings relate to the accompanying schedules of supplemental information and are as follows:

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources (Schedule 1)

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following amounts reported on the schedule:
 - Total General Fund Instructional Expenditures
 - Total General Fund Equipment Expenditures
 - Total Local Taxation Revenue
 - Total Local Earnings on Investment in Real Property
 - Total State Revenue in Lieu of Taxes
 - Nonpublic Textbook Revenue
 - Nonpublic Transportation Revenue

Findings: None

Education Levels of Public School Staff (Schedule 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers" (Schedule 4) to the combined total number of full time classroom teachers per this schedule and to school supporting payroll records as of October 1st.

Findings: None

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers" (Schedule 4) to the combined total of principals and assistant principals per this schedule.

Findings: None

4. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

Findings: The education level for one teacher selected could not be verified by documentation included in the individual's personnel file. We were unable to determine if the teacher was properly classified on the schedule.

Corrective Action Taken: Upon hiring, if a transcript is not received, a transcript request form must be provided by the employee to human resources, which verifies that a transcript has been requested and the transcript is being sent directly to the school.

Number and Type of Public Schools (Schedule 3)

5. We obtained a list of schools by type as reported on the schedule. We compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

Findings: None

Experience of Public Principals, Assistant Principals, and Full Time Classroom Teachers (Schedule 4)

6. We obtained a list of full time teachers, principals, and assistant principals by classification as of October 1st and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

Findings: The experience per the support for the schedule provided by the School did not agree to the individual's personnel file for one teacher selected. It was noted that the difference in experience did not affect the individual's classification; the teacher was properly classified on the schedule.

Corrective Action Taken: The School will have résumés or applications double-checked to ensure years worked in the school system are reported accurately.

Public School Staff Data (Schedule 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full time equivalents were properly included on the schedule.

Findings: The full time equivalent per the schedule did not agree to the individual's personnel file for seven teachers selected. Full time equivalents were understated on the schedule by 0.1232. Schedule 5 reflects the corrected full time equivalents.

Corrective Action Taken: Number of days worked will be divided by the number of working days (per working days calendar) to determine FTE percentage.

8. We recalculated the average salaries and full time equivalents reported in the schedule.

Findings: None

Class Size Characteristics (Schedule 6)

9. We obtained a list of classes by school, school type, and class size as reported on the schedule and reconciled school type classifications to Schedule 3 data, as obtained in procedure 5. We then traced a random sample of 10 classes to the October 1st roll books for those classes and determined if the class was properly classified on the schedule.

Finding: Two classes selected for testing were not properly classified according to class size range on the schedule. Schedule 6 has been corrected to reflect the correct class size characteristics for the two errors noted.

Corrective Action Taken: In the future, the School will double check internal calculations.

Louisiana Educational Assessment Program (LEAP) (Schedule 7)

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: None

Graduation Exit Examination (GEE) (Schedule 8)

11. Not applicable.

iLEAP Test Results (Schedule 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by the School.

Findings: Two numbers reported in the schedule did not agree to test scores as provided by the testing authority. Schedule 9 reflects corrected numbers.

Corrective Action Taken: In the future, the School will double check internal calculations.

We were not engaged to perform, and did not perform an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Trustees, management of the School, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

CARR, RIGGS & INGRAM, LLC

CARR, RIGGS & INGRAM, LLC

Shreveport, Louisiana
January 14, 2013

Shreveport Charter Schools, Inc.

Shreveport, Louisiana

Schedules Required by Louisiana State Law
(R.S. 24:514 – Performance and Statistical Data)
as of and for the Year ended June 30, 2012

Schedule 1 – General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes and nonpublic textbook and transportation revenue. This data is used either in the Minimum Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

Schedule 2 – Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Bachelor's; Master's; Master's +30; Specialist in Education; and Ph. D. or Ed. D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 3 – Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

Schedule 4 – Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers

This schedule includes the number of years of experience in teaching for principals, assistant principals and full time teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report.

Schedule 5 – Public School Staff Data

This schedule includes average classroom teachers' salary using full time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report.

Schedule 6 – Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20, 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

Schedule 7 – Louisiana Educational Assessment Program (LEAP)

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

Schedule 8 – Graduation Exit Exam (GEE)

Not Applicable

Schedule 9 – iLEAP Test Results

This schedule represents student performance testing data and includes a summary score for grades 3, 5, 6, and 7 for each district. The summary score reported is the Percentile Rank showing relative position or rank as compared to a large, representative sample of students in the same grade from the state. This schedule includes three years of data.

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 1

General Fund Instructional and Support Expenditures and Certain Local Revenue Sources
for the Year Ended June 30, 2012

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures

Teacher and Student Interaction Activities

Classroom Teacher Salaries	\$ 995,573	
Other Instructional Staff Activities	172,550	
Instructional Staff Employee Benefits	206,758	
Purchased Professional and Technical Services	610,636	
Instruction Materials and Supplies	271,407	
Instructional Equipment	-	
Total Teacher and Student Interaction Activities	<u>2,256,924</u>	\$ 2,256,924

Other Instructional Activities 777

Pupil Support Services 164,330

Less: Equipment for Pupil Support Services -

Net Pupil Support Services 164,330

Instructional Staff Services 177,287

Less: Equipment for Instructional Staff Services -

Net Instructional Staff Services 177,287

School Administration 707,380

Less: Equipment for School Administration -

Net School Administration 707,380

Total General Fund Instructional Expenditures \$ 3,306,698

Total General Fund Equipment Expenditures (Object 730; Function Series 1000-4000) \$ -

Certain Local Revenue Sources

Local Taxation Revenue

Constitutional Ad Valorem Taxes	\$ -
Renewable Ad Valorem Tax	-
Debt Service Ad Valorem Tax	-
Up to 1% of Collections by the Sheriff on Taxes Other Than School Taxes	-
Sales and Use Taxes	-
Total Local Taxation Revenue	<u>\$ -</u>

Local Earnings on Investment in Real Property:

Earnings from the 16th Section Property	\$ -
Earnings from Other Real Property	-
Total Local Earnings on Investment in Real Property	<u>\$ -</u>

State Revenue in Lieu of Taxes

Revenue Sharing - Constitutional Tax	\$ -
Revenue Sharing - Other Taxes	-
Revenue Sharing - Excess Portion	-
Other Revenue in Lieu of Taxes	-
Total State Revenue in Lieu of Taxes	<u>\$ -</u>

Nonpublic Textbook Revenue	\$ -
Nonpublic Transportation Revenue	<u>\$ -</u>

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 2

Education Levels of Public School Staff
as of October 1, 2011

Category	Full Time Classroom Teachers				Principals & Assistant Principals			
	Certified		Uncertified		Certified		Uncertified	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree	0	0%	0	0%	0	0%	0	0%
Bachelor's Degree	15	54%	0	0%	1	25%	0	0%
Master's Degree	7	25%	0	0%	3	75%	0	0%
Master's Degree +30	6	21%	0	0%	0	0%	0	0%
Specialist in Education	0	0%	0	0%	0	0%	0	0%
Ph. D. or Ed. D.	0	0%	0	0%	0	0%	0	0%
Total	28	100%	0	0%	4	100%	0	0%

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 3

**Number and Type of Public Schools
for the Year Ended June 30, 2012**

Type	Number
Elementary	0
Middle/Jr. High	1
Secondary	0
Combination	0
Total	1

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 4

**Experience of Public Principals, Assistant Principals and Full Time Classroom Teachers
as of October 1, 2011**

	0-1 Yr.	2-3 Yrs.	4-10 Yrs.	11-14 Yrs.	15-19 Yrs.	20-24 Yrs.	25+ Yrs.	Total
Assistant Principals	0	0	3	0	0	0	0	3
Principals	0	0	0	0	1	0	0	1
Classroom Teachers	2	12	5	4	1	0	4	28
Total	2	12	8	4	2	0	4	32

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 5

Public School Staff Data
for the Year Ended June 30, 2012

	All Classroom Teachers	Classroom Teachers Excluding ROTC, Rehired Retirees, and Flagged Salary Reductions
Average Classroom Teachers' Salary Including Extra Compensation	44,976.67	44,976.67
Average Classroom Teachers' Salary Excluding Extra Compensation	42,464.35	42,464.35
Number of Teacher Full Time Equivalents (FTEs) used in Computation of Average Salaries	25.30	25.30

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 6

Class Size Characteristics
as of October 1, 2011

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Middle/Jr. High	13%	24	45%	88	40%	76	2%	3
Middle/Jr. High Activity Classes	0%	0	50%	18	50%	18	0%	0

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 7

Louisiana Educational Assessment Program (LEAP)
for the Year Ended June 30, 2012

District Achievement Level Results	English Language Arts		English Language Arts		English Language Arts		Mathematics		Mathematics		Mathematics	
	2012		2011		2010		2012		2011		2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0%	0	0%	0	0%	2	1%	1	1%	0	0%
Mastery	11	8%	4	4%	3	2%	4	3%	0	0%	0	0%
Basic	62	44%	39	35%	28	22%	68	49%	43	39%	35	27%
Approaching basic	57	40%	60	54%	64	50%	47	33%	42	38%	39	31%
Unsatisfactory	11	8%	8	7%	32	26%	20	14%	25	22%	54	42%
Total	141	100%	111	100%	127	100%	141	100%	111	100%	128	100%

District Achievement Level Results	Science		Science		Science		Social Studies		Social Studies		Social Studies	
	2012		2011		2010		2012		2011		2010	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0%	0	0%	0	0%	0	0%	0	0%	0	0%
Mastery	8	6%	1	1%	1	1%	3	2%	0	0%	0	0%
Basic	30	21%	14	12%	14	11%	57	40%	32	29%	34	27%
Approaching basic	71	50%	49	45%	53	41%	42	30%	47	43%	28	22%
Unsatisfactory	32	23%	46	42%	60	47%	39	28%	31	28%	66	51%
Total	141	100%	110	100%	128	100%	141	100%	110	100%	128	100%

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 8

Graduation Exit Exam
for the Year Ended June 30, 2012

The school does not have grades 10 or 11; therefore, this schedule does not apply.

Shreveport Charter Schools, Inc.
Shreveport, Louisiana

Schedule 9

iLEAP Test Results
for the Year Ended June 30, 2012

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	5	4%	2	2%	1	1%	0	0%
Basic	38	29%	47	37%	32	25%	27	22%
Approaching basic	45	36%	32	26%	61	49%	46	37%
Unsatisfactory	39	31%	44	35%	31	25%	52	41%
Total	125	100%	125	100%	125	100%	125	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	2	1%	1	1%	0	0%	0	0%
Basic	33	23%	43	30%	35	25%	22	16%
Approaching basic	58	40%	37	26%	67	47%	50	35%
Unsatisfactory	52	36%	62	43%	40	28%	70	49%
Total	143	100%	143	100%	142	100%	142	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0%	0	0%	0	0%	2	1%
Mastery	4	2%	4	2%	5	2%	5	2%
Basic	72	33%	78	37%	55	26%	40	19%
Approaching basic	72	34%	51	24%	95	45%	62	29%
Unsatisfactory	87	31%	77	37%	58	27%	103	49%
Total	215	100%	210	100%	213	100%	212	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2012		2012		2012		2012	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	1	1%	1	1%	0	0%	0	0%
Mastery	5	3%	5	3%	4	2%	2	1%
Basic	44	27%	50	30%	29	18%	38	22%
Approaching basic	75	45%	55	34%	76	47%	70	43%
Unsatisfactory	39	24%	52	32%	54	33%	55	34%
Total	164	100%	163	100%	163	100%	163	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2011		2011		2011		2011	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	6	4%	1	0%	1	1%	2	1%
Basic	51	32%	58	37%	37	23%	49	31%
Approaching basic	73	46%	52	33%	59	37%	56	35%
Unsatisfactory	29	18%	47	30%	61	39%	51	33%
Total	159	100%	158	100%	158	100%	158	100%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2010		2010		2010		2010	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0%	0	0%	0	0%	0	0%
Mastery	8	4%	5	3%	1	1%	1	0%
Basic	61	39%	63	39%	37	23%	57	36%
Approaching basic	49	31%	41	26%	66	41%	41	26%
Unsatisfactory	42	26%	52	32%	55	35%	60	38%
Total	158	100%	161	100%	159	100%	159	100%